

**Company Registration No. 03175909**

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**Report and Financial Statements**

**10 months ended 31 October 2011**

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**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**REPORT AND FINANCIAL STATEMENTS 2011**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Remuneration report</b>	<b>8</b>
<b>Directors' responsibilities statement</b>	<b>15</b>
<b>Independent auditor's report</b>	<b>16</b>
<b>Income statement</b>	<b>18</b>
<b>Statement of comprehensive income</b>	<b>18</b>
<b>Balance sheet</b>	<b>19</b>
<b>Statement of changes in equity</b>	<b>20</b>
<b>Cash flow statement</b>	<b>21</b>
<b>Notes to the financial statements</b>	<b>22</b>

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**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**REPORT AND FINANCIAL STATEMENTS 2011**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

S E Letelier (Appointed 30 November 2011)  
J Shaikhali (Appointed 30 November 2011)

**COMPANY SECRETARY**

R A Putland (Appointed 24 November 2011)

**REGISTERED OFFICE**

Amen Corner  
Cain Road  
Bracknell  
Berkshire  
RG12 1HN

(Registered office changed on 6 September 2012 from Autonomy House, Cambridge Business Park, Cowley Road  
Cambridge, Cambridgeshire, CB4 0WZ)

**INDEPENDENT AUDITORS**

Ernst and Young LLP  
Apex Plaza  
Forbury Road  
Reading  
Berkshire  
RG1 1YE

# **AUTONOMY CORPORATION LIMITED** **(formerly Autonomy Corporation Plc)**

## **DIRECTORS' REPORT**

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the 10 months ended 31 October 2011

### **PRINCIPAL ACTIVITY**

The principal activity of the company is that of the principal holding company for the Autonomy Corporation group ("Autonomy" or "the group") which trades in software development and distribution

On 18 August 2011, the Board of Hewlett-Packard Company and the Board of the company announced the terms of a recommended cash offer (the "Offer") by Hewlett-Packard Vision B V to acquire the entire issued and to be issued share capital of the Company. The Offer was declared wholly unconditional on 3 October 2011 and following sufficient acceptances under the Offer having been received, cancellation of listing and trading of the Company's shares took effect on 14 November 2011. On 5 January 2012, the Company was acquired by Hewlett-Packard Vision B V (the Hewlett-Packard group) as part of its acquisition of the Autonomy Group.

Subsequent to the acquisition the Company de-registered as a public Company under the Companies Act 2006 and re-registered as a private Company, limited by shares. Accordingly the Company changed its name from Autonomy Corporation plc to Autonomy Corporation Limited.

The directors as of the date of this report were appointed subsequent to the periods being reported on and subsequent to the acquisition by Hewlett-Packard.

### **BUSINESS REVIEW**

During the period the Company acted as an investment holding Company. As previously noted, on 3 October 2011 the Company was acquired by Hewlett-Packard as part of its acquisition of the Autonomy Group. These financial statements do not reflect any matters related to the acquisition by Hewlett-Packard, including any accounting for the purchase consideration paid or the subsequent impairment of goodwill and purchased intangible assets as reported by Hewlett-Packard in its financial statements included in Form 10-K for the year ended October 31, 2012 filed with the U S Securities and Exchange Commission.

The loss before tax for the period has increased from £21,959,000 (restated) to £313,651,000 (£376,381,000 annualised). At the balance sheet date Autonomy Corporation Limited had net assets of £587,532,000 (year ended 31 December 2010: £776,314,000 (restated)).

As a result of the findings of an on-going internal investigation, Hewlett-Packard, the Company's ultimate parent, has provided information to the U K Serious Fraud Office, the U S Department of Justice and the SEC related to accounting improprieties, disclosure failures and misrepresentations in the wider Autonomy group, of which the Company is a subsidiary, that occurred prior to and in connection with Hewlett-Packard's acquisition of Autonomy. On 21 November 2012, representatives of the U S Department of Justice advised Hewlett-Packard that they had opened an investigation relating to Autonomy. On 6 February 2013, representatives of the U K Serious Fraud Office advised Hewlett-Packard that they had also opened an investigation relating to Autonomy. Hewlett-Packard and the Company are cooperating with the three investigating agencies.

The extensive investigations undertaken by Hewlett-Packard, and by the Directors, into the past accounting practices of the group, have revealed extensive errors (including misstatements) in the previously issued financial statements. These have required all aspects of the accounting to be re-assessed. The errors found as a result of these investigations have led to restatements to the previously issued financial statements of the Company for the year ending 31 December 2010, principally relating to the revaluation of balances denominated in foreign currencies, to correct the historic cost of a subsidiary, to correct for costs not recorded in the appropriate financial period, to record the impairment of an associate in the correct period, to include appropriate accounting entries for share based payments and to adjust current tax balances.

Given the volume and magnitude of the above errors, it is possible that further errors may remain undetected. The investigations, including those of the U K Serious Fraud Office, the U S Department of Justice and the SEC, are on-going and it is possible that further matters may be identified that could impact the reported financial performance and position of the Company, including previously reported financial statements. As a result of the investigations by Hewlett-Packard the earnings of fellow group undertakings have themselves been subject to substantial corrections for the current and prior periods compared to any previously prepared financial statements, principally relating to the overstatement of revenues in Autonomy's U S operations.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**DIRECTORS' REPORT (continued)**

**BUSINESS REVIEW (continued)**

The outcome of ongoing internal and external investigations cannot be determined and it should be noted that the investigations could result in fines, other penalties or claims being imposed on or asserted against the Company. It is not possible at this time to estimate the outcome of any such actions taken against the Company.

In addition to the uncertainties discussed above, the work that the Directors were able to undertake on closing the books and preparing the financial statements was limited in certain cases by the information that was available to them, principally in the areas of intercompany opening balances at 1 January 2010 and analysis supporting the period in which the investment impairment first arose (see note 10).

The Directors have completed all the work that they reasonably believe is necessary to prepare these accounts, are not aware of any matters significant to the financial statements they have not addressed at the time of preparing these financial statements and have made such reasonable judgements and estimates that are necessary for them to close the books and prepare these financial statements. Accordingly the Directors are satisfied that the financial statements, together with related disclosures, reflect a true and fair view of the state of affairs of the Company and of its financial performance for the period.

The aggregate impact of all of these restatements on the profit for the year ending 31 December 2010 is to increase the net loss after tax from £12.2m to £22.1m, and to reduce opening reserves at 1 January 2010 from £699.4m to £690.9m. The nature of the restatements, and the impact on the financial position of the Company, is described in more detail in note 22 to the accounts.

The investigations, regarding accounting improprieties, incomplete disclosures and misrepresentations at Autonomy with respect to Autonomy's pre-acquisition business, identified the need for an impairment assessment to be performed by the current directors. In accordance with applicable accounting standards, an impairment assessment has been performed on the investments held by the Company. This assessment compared the recoverable amounts for the respective investments, as determined from fair value less cost to sell calculations, with their carrying values. This exercise has resulted in an impairment charge of £237,258,000 being recognised in the period (2010: £nil) which has been disclosed as an exceptional item. The impairment assessment used discounted cash flows under the income method of valuation based on a revised forecast. Management have projected cash-flows over a 10 year period and determined a terminal value. The forecast reflected the organic revenue growth rates, current market trends, business mix, cost structure and other expectations about the anticipated short-term and long-term operating results of the Autonomy business.

Exceptional legal and professional fees of £42.2 million (year ended 31 December 2010: £nil) were incurred by the company in the period as a result of Hewlett-Packard acquiring the share capital of the company on 3 October 2011.

As of 31 October 2011 the company held a 13% (2010: 13%) share in Blinkx Plc which is carried at its fair value at each reporting date, based on the market price of its shares. During the period, the share price increased from 83.25p to 150.00p, resulting in an increase in the carrying value of the investment from £38.5 million to £69.3 million, which was recorded in other comprehensive income through a revaluation reserve. On 25 June 2013 the Company disposed of its holding of 45.7m shares in Blinkx Plc for £54,840,000 at a share price of 120.00p through an accelerated offering to institutional investors.

## **AUTONOMY CORPORATION LIMITED** **(formerly Autonomy Corporation Plc)**

### **DIRECTORS' REPORT (continued)**

#### **CHANGE IN OWNERSHIP**

On 3 October 2011 the share capital of the Company was acquired by Hewlett-Packard Vision B V, a Company incorporated in the Netherlands. The ultimate controlling party of the company is Hewlett-Packard Company, a Company incorporated in the United States of America.

The Company de-listed its shares from the London Stock Exchange on 14 November 2011 and de-listed the convertible debt on 5 March 2012.

On 10 January 2012 the Company de-registered as a public company under the Companies Act 2006 and re-registered as a private Company, limited by shares. Accordingly the Company changed its name from Autonomy Corporation Plc to Autonomy Corporation Limited.

On the basis that the Company was not listed as at the date of signing of these accounts, the disclosures required by the UK Corporate Governance Code, DTR 7.1, DTR 7.2 and DTR 4.1 have not been given.

#### **ENVIRONMENTAL MATTERS**

It is the Company's policy to ensure, by encouraging environmental best practice, that operations have as little environmental impact as is consistent with the Company's business needs. As a holding Company the Company has no manufacturing facilities and operations do not include the production of hazardous substances or complex waste emissions.

#### **EMPLOYEES**

As a holding Company, the Company has no employees.

#### **SOCIAL AND COMMUNITY MATTERS**

During the period to 31 October 2011 the Company maintained a number of charitable giving policies indirectly through its wholly owned subsidiaries.

#### **FUTURE DEVELOPMENTS**

The directors expect the Company to maintain its operations as an investment holding Company. The ownership of certain subsidiaries has been transferred following the integration of the Autonomy operation into the Hewlett-Packard business as described in the post balance sheet events below.

#### **CAPITAL STRUCTURE**

At 31 October 2011, the structure of the Company's capital consisted solely of ordinary shares, nominal value 1/3p per share, and convertible bonds. There are no restrictions imposed by the Company on the transfer of securities in the Company or limitations on the holding of securities or requirements to obtain approval for a transfer of securities. At 5 January 2012 100% of the ordinary shares were owned by Hewlett-Packard Group.

There are no restrictions on voting rights on the Company's ordinary shares, including any limitations on voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or arrangement by which with the Company's co-operation financial rights carried by securities are held by a person other than the holder of the securities. The Company is not aware of any agreements by the holder of its securities which may result in restrictions on the transfer of securities or voting rights. The Company does not have any rules regarding the appointment and replacement of directors and amendment of the Articles of Association other than those set forth in the Articles of Association. The powers of the directors are as set forth in the Company's Articles of Association and as permitted by shareholders pursuant to the Company's Annual General Meeting.

As a result of the change of control that occurred on acquisition of the Company by Hewlett-Packard, 82,878 shares were granted at nil exercise price to the executive directors (2010: nil to employees) as part of the deferred bonus plan. All shares awarded in the deferred bonus plan vested upon the group's acquisition by Hewlett-Packard Company on 3 October 2011.

#### **CHANGE OF REPORTING DATE**

On 25 November 2011 the Company changed its financial reporting date to 31 October (previously 31 December) to align with its parent company.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**DIRECTORS' REPORT (continued)**

**DIVIDENDS**

The directors do not recommend the payment of any other dividends for the current financial period (2010 £nil)

**PRINCIPAL RISKS AND UNCERTAINTIES**

The financial risks impacting the business and the Company's policies to mitigate those risks are set out in notes 19 and 24 to the financial statements. In addition the following are identified as principal risks and uncertainties

- Potential actions against the Company as a result of ongoing investigations, and
- Potential adverse impact to the Company's brand and reputation as a result of conduct that preceded Hewlett-Packard's acquisition of the Company in October 2011

**FINANCIAL INSTRUMENTS AND TREASURY POLICY**

Details of the financial risk management objectives and policies of the Company and its exposures to risks from financial instruments are in note 19

**KEY PERFORMANCE INDICATORS**

The key performance indicators for the Company are

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000 (restated)</b>
Investments in subsidiary undertakings	403,198	624,261
Net assets	587,532	776,314
Loss before tax	(313,651)	(21,959)

The reduction in the investment value in subsidiary undertakings is principally driven by the impairment charge of £237.3m recorded in the period to 31 October 2011. The increase in the loss before tax and reduction in net assets is principally driven by the impairment charge of £237.3m and exceptional disposal costs of £42.2m recorded in the period to 31 October 2011. See notes 10 and 21 for further details.

**DIRECTORS**

The directors who served during the period and to the date of this report were as follows

S E Letelier – executive director	(Appointed 30 November 2011)
J Shaikhali – executive director	(Appointed 30 November 2011)
J Bloomer – non executive director	(Resigned 14 November 2011)
R Gaunt – non executive director	(Resigned 14 November 2011)
F Kelly – non executive director	(Resigned 14 November 2011)
J McMonigall – non executive director	(Resigned 14 November 2011)
R Webb – non executive director	(Resigned 14 November 2011)
S Hussain – executive director	(Resigned 30 November 2011)
M Lynch – executive director	(Resigned 30 November 2011)

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**DIRECTORS' REPORT (continued)**

**DIRECTORS' INDEMNITIES**

In March 2010, amendments were made to the Company's Articles of Association, including in relation to the provisions for the ability of the Company to provide third party indemnification to its directors. These provisions applied to the directors of the Company up to 31 October 2011. These articles of association are no longer in force but are available for inspection at the Company's office and from Companies House.

The current Articles of Association of the Company provide for third party indemnification of directors, which is in place for the current directors. A copy of the Company's Articles of Association is available for inspection at the Company's office and from Companies House.

**SUPPLIER PAYMENT POLICY**

The Company's policy is to settle payment terms with all suppliers when agreeing a transaction, to ensure that suppliers are aware of the terms and to abide by such terms. Generally the Company pays suppliers at the end of the month following that in which the supplier's invoice is received. Creditor days outstanding as at 31 October 2011 for the Company was 35 days (31 December 2010: 48 days).

**CHARITABLE AND POLITICAL CONTRIBUTIONS**

The Company did not make any political or charitable contributions during the period (year ended 31 December 2010: £nil).

**DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

The directors in office at the date of signature of these accounts were not directors of the Company for the period covered by the accounts. The directors consider that there remains a risk that not all information relevant to the production of these accounts is available to the current directors and consequently therefore not available to the auditors. In making this determination the current directors have considered the findings from the previously discussed investigation into financial misrepresentations announced by Hewlett-Packard Company, the identified errors in previously reported financial statements as well as the quality and completeness of the accounting records maintained by the previous management team. The current directors have executed all reasonable efforts to mitigate these circumstances and, notwithstanding these limitations, each of the persons who is a director at the date of the approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**GOING CONCERN**

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.



**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**DIRECTORS' REPORT (continued)**

**POST BALANCE SHEET EVENTS**

On 4 November 2011 Hewlett-Packard Vision B V received the final acceptance to acquire all convertible loans

On 10 January 2012 the Company de-registered as a public Company under the Companies Act 2006 and re-registered as a private Company, limited by shares Accordingly the Company changed its name from Autonomy Corporation Plc to Autonomy Corporation Limited The Company de-listed its shares from the London Stock Exchange on 14 November 2011

On 20 January 2012 Hewlett-Packard Vision B V transferred all of its holding in the convertible loans to Hewlett-Packard Leman B V , a fellow subsidiary undertaking

On 29 February 2012 the Company filed a written resolution modifying the terms of the convertible loan notes in issue The modification allowed for the redemption of the convertible loan notes by the Company on 5 March 2012 for their par value, plus accrued interest not yet paid

On 5 March 2012 the Company redeemed the convertible loan notes for the total consideration of £504,974,625, being the par value plus interest accrued and not paid

On 22 March 2012 the Company filed a solvency statement under s643 of the Companies Act 2006 stating that the directors believe there to be no grounds on which the Company could not settle its existing commitments as they fall due, and that the Company will be able to settle its on-going liabilities as they fall due for 12 months following signing of the solvency statement

On 22 March 2012 written resolutions were filed with Companies House to reduce the equity capital of the Company under s644(1) of the Companies Act 2006 Accordingly, the share premium of the Company was reduced resulting in £600,000,000 being released to retained earnings

On 28 March 2012 the Company sold 100% of the share capital of Autonomy Europe Holdings Limited to a fellow group Company Hewlett-Packard Leman B V for \$1.68 billion (£1.05 billion) Immediately following this, the Company remitted these funds by way of a dividend payment of \$1.68 billion (£1.05 billion) to Hewlett-Packard Vision Limited, its immediate parent Company, the consequence of which is being further reviewed in the light of the adjustments made to the 2011 financial statements

On 25 April 2012, Autonomy Corporation Limited (formerly Autonomy Corporation plc) subscribed to 1 ordinary share in Autonomy Systems Limited at a premium equal to the face value of a promissory note (face value £424,000) between Autonomy Corporation Limited and Longsand Limited in return for transferring the promissory note to Autonomy Systems Limited

On 25 June 2013 the Company disposed of its holding of 45.7m shares in Blinkx Plc for £54,840,000 at a share price of 120.00p through an accelerated offering to institutional investors

On 17 December 2013 the Company disposed of its holding in Realise Limited for £2,607,000 through a sale of its shares to Realise Holdings Limited

As discussed in note 22, the Company booked a number of prior year adjustments in respect of the years ended 31 December 2009 and 31 December 2010 As a result of this the Company has submitted a claim for overpayment of tax of £835,500 in December 2013 in respect of the tax return for the year ended 31 December 2009 At the date of signing the financial statements HMRC have not agreed the claim and therefore no benefit has been recognised as it is difficult to reliably estimate the final value of the repayment

**AUDITORS**

On 15 February 2013, Ernst and Young LLP were appointed as auditors of the Company

Approved by the Board of Directors and signed on behalf of the Board

  
S-E Letelier  
Director

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# **AUTONOMY CORPORATION LIMITED** **(formerly Autonomy Corporation Plc)**

## **DIRECTORS' REMUNERATION REPORT**

On 3 October 2011 the Autonomy group was acquired by Hewlett-Packard Company. This Remuneration Report covers the period to 31 October 2011 in full as transitional arrangements following the Company's incorporation in to the Hewlett-Packard group did not take effect until after the period end.

On 14 November 2011 all the non-executive directors resigned. On 30 November 2011 both executive directors resigned as directors.

The directors as at the date of this report were appointed subsequent to the periods being reported on and subsequent to the acquisition by Hewlett-Packard.

The unaudited information contained in this Remuneration Report is based on information obtained by the current directors from the annual report and accounts of the Company for the year ended 31 December 2010 and other internal records of the Company, some of which are incomplete or unclear.

Because the directors serving during the period to 31 October 2011 are now no longer directors of the Company and because no members of the Remuneration Committee remain directors of the Company, the Company has not been able in all cases to confirm whether the relevant considerations have been made by the Remuneration Committee in the period to 31 October 2011.

In this Remuneration Report, statements as to judgement, consideration and decision are all judgements, considerations and decisions of the Remuneration Committee in situ during the accounting period up to 31 October 2011, as recorded and therefore as known by the current directors, and not judgements, considerations and decisions of the current directors. We understand that the Remuneration Committee to the end of 31 October 2011 comprised Frank Kelly, Jonathan Bloomer and John McMonigall, none of whom was involved in preparing this Remuneration Report. Much of the information we have for this Remuneration Report comes from Company's 2010 annual report and accounts (*2010 Annual Report*).

This Remuneration Report pertains only to the period in which the Company was a "quoted company" for the purposes of the Companies Act 2006. The Company is now a privately owned limited company and does not have a Remuneration Committee.

### *Unaudited Remuneration Information* *Remuneration Elements*

The main elements of executive packages for the accounting period ended 31 October 2011 are:

#### *Base Salary*

We believe from the 2012 Annual Report that the Remuneration Committee then in situ considered the level of base salary for each executive director annually, and we understand that their considerations included taking into account the performance of the individual and the Company's strategies. We understand that the Remuneration Committee then in situ also took into account salaries in relevant comparable companies, specific factors relating to the individual, internal relatives and overall affordability. The appropriate market rate was defined as the rate in the market place from which the individual would most likely to be recruited.

The 2010 Annual Report states that establishing individual salary levels, the Remuneration Committee then in situ was conscious that it should pay no more than was necessary to retain and motivate the executive, while ensuring business objectives were fulfilled. There was no automatic adjustment in respect of inflation. Executive directors' base salaries remained low relative to similarly situated companies, with performance-based incentive compensation forming the most important factor in overall compensation.

2011 salaries and benefits for the CEO and CFO were approved by the Board in early 2011 based on forecast performance during 2011. Base salary raises for 2012 were approved as follows:

	<b>Salary for 2012</b>	<b>Increase</b>
Dr Michael Lynch	£377,685	22%
Sushovan Hussain	£339,916	7%

#### *Benefits*

Limited employment-related benefits were provided, consisting only of company car or car allowance and basic private medical insurance.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**DIRECTORS' REMUNERATION REPORT (continued)**

*Pensions*

During 2006 the Company established a matching pension scheme available to all UK employees with more than three years' service. The scheme provides for the Company to make a matching contribution to an individual employee's pension, up to 3% of the individual's base salary (only) per annum. Other than this generally available benefit, we are not aware from the documents we have available to us that the directors had any pension, retirement or similar entitlements.

*Bonuses*

We understand from the 2010 Annual Report that it was common practice amongst the Company's peers, to offer performance-related bonus remuneration for certain executive directors, which the Company also did. We understand that bonuses were intended to encourage the achievement of pre-defined annual financial objectives and to focus on the most important measures of business success, while rewarding individuals for outstanding performance. In this way executive bonuses sought to align the interests of shareholders and those eligible.

We understand that the targets for the annual element of bonuses were related to the goals of the Company set by the Board. Generally, bonuses started to be earned at performance levels on target and then increased until they reach capped levels, which were generally significantly above targets.

**Cash Bonus** We understand from the 2010 Annual Report and other documentation that executive directors were eligible for a bonus of 50% of base salary for basic achievement and up to an additional 50% of base salary for over performance against pre-agreed financial targets (awarded on a straight-line between the two targets). The 2010 Annual Report states that the policy remained in place for 2011 under the same guidelines.

**Deferred Bonus**

We understand from the 2010 Annual Report that from 2010 the Board adopted a new deferred bonus policy for executive directors. The Board believed that share ownership by directors and staff aligned their personal interests with those of shareholders. The 2010 Annual Report states that the policy remained in place for 2011 under the same guidelines.

The information available to us in the 2012 Annual Report indicates that under the policy executive directors were granted share options following achievement of pre-financial targets, with vesting over subsequent years. Executive directors were eligible for a single annual grant of up to 150,000 share options if performance levels were achieved. Grants vested from the date of award over the subsequent three years, with the maximum number set as approximately one and a half times base salary based on a Black Scholes valuation.

Share options were always issued at market value. The maximum number of share options the Company was permitted to grant was up to 10% of the outstanding shares. There was no departure from this policy during 2011.

**Deferred Shares Bonus** The 2010 Annual Report states that in 2010 the Board approved a new performance share policy as part of the remuneration arrangements. The 2010 Annual Report states that the policy remained in place for 2011 under the same guidelines.

The 2010 Annual Report tells us that the purpose of the Deferred Shares Bonus was to align the interests of shareholders and management in growing the value of the business over the long term. It did this by granting shares which vest depending on the extent to which the business meets targets over a three-year period; the value of the incentive to an executive was also heavily dependent on the level of share-price appreciation over the period, which also helped to align the interest of executive and shareholder.

We understand that the maximum annual award level for executive directors for 2010 and 2011 was 100% of base salary. Vesting of awards was based on meeting stretching performance targets over a three-year performance period and, subject to meeting all relevant conditions, shares would normally be released to participants as soon as possible following the third anniversary of the award. Any ordinary shares granted under the policy would be satisfied from the Company's Employee Benefit Trust, and thus was non-dilutive to shareholders.

Performance was measured against total shareholder return versus the constituents of the FTSE 100 at the date of grant. The FTSE 100 was chosen as most relevant given the relative lack of comparable technology companies in the UK. As a result any benchmark of other companies would be overwhelmingly dominated by foreign companies.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**DIRECTORS' REMUNERATION REPORT (continued)**

who do not operate under similar corporate governance guidelines. Thus the main broad index of which the Company is a member was deemed the most relevant reference point.

We do not know to what extent performance hurdles were met or bonuses paid.

We understand that the Remuneration Committee then in situ retained discretion to ensure that, as a condition for the vesting of shares, the underlying overall performance of the Company had been satisfactory. Vested awards included adjustments for any dividends, share splits or similar corporate actions throughout the vesting period.

If a participant resigned or was dismissed before shares were released, they would be forfeited. The Remuneration Committee then in situ had discretion to accelerate vesting in compassionate circumstances including in the event of a change of control during the performance period where performance was measured at the latest possible date before the change of control to assess the proportion vesting based on performance. The proportion of the award that would be released would then be time prorated. The Remuneration Committee then in situ appears to have had the discretion to disapply the impact of time pro rating and to permit up to 100% of awards to vest on a change of control where, due to exceptional business circumstances, returns to shareholders were considered to be at a superior level.

*Non-Executive Director Remuneration*

We understand that the Remuneration Committee then in situ determined fees for non-executive directors taking into account expected time commitments and responsibilities, together with comparative market rates and benchmarking data.

The 2010 Annual Report and minutes of the Company state that basic fees were set at £60,000 per annum for all non-executive directors and they remained at this level for 2011. An additional fee of £60,000 was paid to the Chairman of the Audit Committee. The Chairman of the Board earned a fee of £120,000 per annum in 2011.

The 2010 Annual Report states that Non-executive directors did not participate in any bonus or performance related plans or any of the group's share incentive, option or pension schemes.

*Staff Incentive Schemes*

The 2010 Annual Report states that options formed the core element of the Company's equity program for the broader employee base, and were granted in small amounts from time-to-time to a very broad set of the Company's employees after achievement of performance targets. After grant share option awards were then subject to vesting periods, with initial vesting after six or 12 months and the remainder vesting over a total of 2.5 to 3.5 years. The 2010 Annual Report states that Executive Directors participated in this scheme in prior years but no longer do so.

*Service Contracts*

*Policy*

The UK Corporate Governance Code and guidelines issued by institutional investors recommended that notice periods of no more than one year be set as an objective for executive directors and that any payments to a departing executive director should be determined having full regard to the duty of mitigation. The 2012 Annual Report states that the Company achieved these objectives in all respects.

The Company's policies prohibited long-fixed contracts and contractual termination payments. The Company required mutual notice periods for directors, but never in excess of 12 months. All executive directors had service contracts and all non-executive directors had appointment letters. All agreements provided for notice of 12 months or less, although did not have a specified fixed term, and all permitted garden leave up to the length of the notice period. No other amounts were payable on termination. All terms of appointment were subject to the provisions of the Companies Act 2006 and the requirement to retire by rotation on the third anniversary of the previous election.

The Company is no longer quoted and therefore no longer has a remuneration policy in place, neither does it have subsidiary policies such as service contracts policies. The UK Corporate Governance Code no longer applies to the Company.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**DIRECTORS' REMUNERATION REPORT (continued)**

*Executive Directors' Contracts*

No director was entitled to any automatic payment by virtue of early termination of their contract or a change in control of the Company

Details of executive directors' service contracts for each person who has served as a director of the company during the financial year are as follows

	<b>Date</b>	<b>Mutual notice period</b>
Dr Michael Lynch	9 July 1998	6 months
Sushovan Hussain	27 June 2001	12 months

Each executive director was entitled to benefits generally made available to all employees and any fees or remuneration he was entitled to as a director of Autonomy. Payment of salary in lieu of notice was permitted on termination. For a fixed period following the termination of employment, each of Dr Lynch and Mr Hussain were prohibited from soliciting the Company's clients, customers and employees and from competing with the Company in a similar geographic area.

On 30 November 2011 both executive directors, Dr Lynch and Mr Hussain, resigned as directors.

*Non-Executive Directors' Contracts*

The non-executive directors served under appointment letters with the Company. All non-executive directors (including the Chairman) were appointed under the Company's Articles of Association, which required that one third of all directors (including executive directors) should retire at each AGM and that all directors must seek re-election at least every three years. They were also subject to review by the Nominating Committee prior to being considered for election or re-election by shareholders. The Company no longer has a Nominating Committee as it is a privately owned company.

Non-executive directors were entitled to be reimbursed for their reasonable out-of-pocket expenses incurred in attending Board meetings and committees thereof. No directors were entitled to reimbursement of non-business expenses, and all directors were subject to the Company's global expense policies.

Details of non-executive directors' service contracts for each person who has served as a director of the company during the financial year are as follows:

	<b>Date</b>
Robert Webb, Chairman	1 May 2009
Jonathon Bloomer	1 Aug 2010
Richard Gaunt*	9 July 1998
Frank Kelly	1 May 2010
John McMonigall	2 July 1998

\*Mr Gaunt commenced service as a non-executive director in 2006.

Mutual notice periods for all non-executive directors who served during the financial year were three months or payment of salary in lieu of notice.

On 14 November 2011 all the non-executive directors resigned. The contracts detailed above are therefore no longer in force.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**DIRECTORS' REMUNERATION REPORT (continued)**

*Audited Remuneration Information*

Directors' Remuneration

Remuneration for Directors who served during the period ending 31 October 2011 was as follows

	Salary	Fees	Benefits (1)	Bonuses	Sub-total	Matching Pension Contributions	Total 2011	Total 2010 <sup>(2)</sup>
	£	£	£	£	£	£	£	£
<b>Executive Directors</b>								
Dr Michael Lynch	306,398	-	10,086	181,289	497,773	9,322	507,095	528,534
Sushovan Hussain	317,729	-	7,967	238,840	564,536	8,389	572,925	479,603
<b>Non-Executive Directors</b>								
Robert Webb, Chairman	101,818	-	-	-	101,818	-	101,818	120,000
Barry Anko (to 8 September 2010)	-	-	-	-	-	-	-	42,510
Jonathan Bloomer (from 1 August 2010)	66,667	-	-	-	66,667	-	66,667	33,333
Richard Gaunt	50,000	-	508	-	50,508	-	50,508	58,301
Frank Kelly (from 1 May 2010)	50,000	-	-	-	50,000	-	50,000	40,000
John McMonigall	-	50,000	-	-	50,000	-	50,000	60,000
Richard Perle (to 8 September 2010)	-	-	-	-	-	-	-	42,510
<b>Total</b>	<b>892,612</b>	<b>50,000</b>	<b>18,561</b>	<b>420,129</b>	<b>1,381,302</b>	<b>17,711</b>	<b>1,399,013</b>	<b>1,404,791</b>

(1) Benefits consist of company car or car allowance and basic private medical insurance

(2) Included in the total 2010 remuneration are matching pension contributions of £10,230 for Dr Michael Lynch and £9,207 for Sushovan Hussain

**AUTONOMY CORPORATION LIMITED**  
(formerly Autonomy Corporation Plc)

**DIRECTORS' REMUNERATION REPORT (continued)**

*Share Options*

Details of share options granted to executive directors all granted based on performance, are set out below. No directors' share options were cancelled or lapsed, or changed, during the period.

**Michael Lynch**

At 1 Jan 2011	Granted during 2011	Exercised during 2011	At 31 October 2011	Exercise Price	Market Price at Exercise	Vesting Schedule	First Exercise	Expiry Date
50,000	-	50,000	-	£3.05	£25.50	3 year/6 month	22 Mar 2006	21 Sep 2012
30,000	-	30,000	-	£4.25	£25.50	3 year/6 month	15 Nov 2006	14 May 2013
25,000	-	25,000	-	£3.835	£25.50	3 year/6 month	11 Mar 2007	10 Sep 2013
12,000	-	12,000	-	£6.455	£25.50	3 year/6 month	29 Sep 2007	28 Mar 2014
38,000	-	38,000	-	£8.19	£25.50	3 year/6 month	01 Feb 2008	31 Jul 2014
45,000	-	45,000	-	£8.61	£25.50	3 year/6 month	19 Jun 2008	18 Dec 2014
4,000	-	4,000	-	£nil	£25.50	3 year/6 month	19 Jun 2008	-
35,000	-	35,000	-	£8.765	£25.50	3 year/6 month	07 Sep 2008	06 Mar 2015
35,000	-	35,000	-	£8.75	£25.50	3 year/6 month	24 Dec 2008	23 Jun 2015
25,000	-	25,000	-	£10.30	£25.50	3 year/6 month	08 Feb 2010	07 Aug 2015
30,000	-	30,000	-	£11.92	£25.50	3 year/6 month	26 Aug 2010	25 Feb 2016
5,000	-	5,000	-	£11.92	£25.50	3 year/6 month	26 Aug 2010	25 Feb 2016
30,000	-	30,000	-	£11.84	£25.50	3 year/6 month	29 Jan 2010	28 Jul 2016
-	75,000	75,000	-	£16.00	£25.50	3 year/6 month	11 Jul 2011	11 Jan 2017
-	42,582 *	42,582	-	£nil	£25.50	3 year/6 month	03 Oct 2011	03 Oct 2011
<b>364,000</b>	<b>117,582</b>	<b>481,582</b>						

**Sushovan Hussain**

At 1 Jan 2011	Granted during 2011	Exercised during 2011	At 31 October 2011	Exercise Price	Market Price at Exercise	Vesting Schedule	First Exercise	Expiry Date
6,334	-	6,334	-	£8.19	£25.50	3 year/6 month	01 Feb 2008	31 Jul 2014
38,666	-	38,666	-	£8.61	£25.50	3 year/6 month	19 Jun 2008	18 Dec 2014
4,000	-	4,000	-	£nil	£25.50	3 year/6 month	19 Jun 2008	-
35,000	-	35,000	-	£8.765	£25.50	3 year/6 month	07 Sep 2008	06 Mar 2015
35,000	-	35,000	-	£8.75	£25.50	3 year/6 month	24 Dec 2008	23 Jun 2015
35,000	-	35,000	-	£10.3	£25.50	3 year/6 month	08 Feb 2010	07 Aug 2015
30,000	-	30,000	-	£11.92	£25.50	3 year/6 month	26 Aug 2010	25 Feb 2016
5,000	-	5,000	-	£11.92	£25.50	3 year/6 month	26 Aug 2010	25 Feb 2016
35,000	-	35,000	-	£11.84	£25.50	3 year/6 month	29 Jan 2010	28 Jul 2016
50,000	-	50,000	-	£15.67	£25.50	3 year/6 month	01 Aug 2010	31 Jul 2017
-	75,000	75,000	-	£16.00	£25.50	3 year/6 month	11 Jul 2011	11 Jan 2017
-	40,296 *	40,296	-	£nil	£25.50	3 year/6 month	03 Oct 2011	03 Oct 2011
<b>274,000</b>	<b>115,296</b>	<b>389,296</b>						

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**DIRECTORS' REMUNERATION REPORT (continued)**

\* During the period, 82 878 shares were granted at nil exercise price to the executive directors (2010 nil to employees) as part of the deferred bonus plan. All shares awarded in the deferred bonus plan vested upon the group's acquisition by Hewlett-Packard Company on 3 October 2011, resulting in a gain of £2,113 389

Total gain on exercise of share options made by executive directors was £11,894,135 (2010 £1,298,386)

No non-executive directors held share options, and the Board had no intention to grant any such options. The options granted to executive directors made under prior Board policies remained available for exercise and vesting in accordance with the rules of the relevant grants. They were subject to performance conditions prior to grant and vested over a three year period from grant. All share options vested and the resulting shares sold to Hewlett-Packard Company upon its acquisition of the Autonomy group.

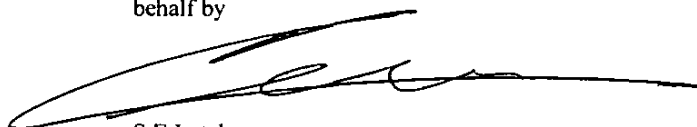
*Directors and their Interests*

The beneficial interests of directors who served during 2011 and their connected persons in the ordinary shares of the Company at the start and end of the period were as follows

	1 Jan 2011	31 Oct 2011
<b>Executive Directors</b>		
Dr Michael Lynch	19,798,546	-
Sushovan Hussain	9,978	-
<b>Non-Executive Directors</b>		
Robert Webb, Chairman	8,109	-
Jonathon Bloomer	-	-
Richard Gaunt	2,372,601	-
Frank Kelly	-	-
John McMonigall	-	-

Because the Company is no longer quoted, the Company has not included in its remuneration report a remuneration policy for future years or a performance graph

The remuneration report was approved by the board of directors on behalf by *31/10/14* and signed on its



S E Letelier  
Director



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**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations

Company law requires the directors to prepare such financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the directors are required to

- present fairly the financial position, financial performance and cash flows of the Company,
- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently,
- make judgements that are reasonable,
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance, and
- state whether the Company's financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTONOMY CORPORATION LIMITED**

We were engaged to audit the financial statements of Autonomy Corporation Limited for the period ended 31 October 2011 which comprise the Income Statement, Statement of Comprehensive Expense/Income, the Balance Sheet, the Statement of Changes in Equity, the Cashflow Statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. Because of the matter described in the Basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Basis for disclaimer of opinion on the financial statements**

The audit evidence that was available to us was limited in respect of the following matters:

- As disclosed in the Directors' Report and note 2, the work that the current Directors, who were not the directors during the period, were able to undertake in closing the books and preparing the financial statements was limited by the information that was available to them. If additional information and evidence had been available to the Directors, including information that might be identified from the ongoing investigations, further adjustments might have been required to the reported results for the period ended 31 October 2011 and to the liabilities and the retained earnings positions at 1 January 2011 and 31 October 2011.
- As disclosed in the Directors' Report and note 2 to the financial statements, there are limitations over the quality and completeness of the documentation available to support intercompany balances reported in the financial statements. The Directors have made certain judgements related to underlying transactions, including those relating to the timing and classification of the amounts recorded, the application of appropriate foreign exchange rates and the impact of the resulting retranslation of balances at period ends. If additional information and evidence was available to the Directors, further adjustments might be required to the intercompany balances, the classification and measurement of amounts recorded in the income statement, and to the retained earnings position.
- As disclosed in note 10 to the financial statements, the Directors have recorded an impairment charge of £237 million relating to a reduction in the value of investments in subsidiaries. The Directors consider that there were indicators of impairment at prior period ends but have been unable to determine whether some or all of the charge should have been allocated to other periods. Although the impairment charge is based on an external valuation prepared in July 2012, at that time the Directors had to make a number of judgements and estimates relating to the future performance of the relevant businesses which might reflect

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTONOMY CORPORATION LIMITED**

facts that would not have been available to the Directors at 31 October 2011. Although the evidence is sufficient to determine that there was impairment in the recorded cost of the investment, due to the limitations over the completeness of information available to the Directors we have been unable to determine if the amount of the charge is materially correct or should be allocated to other periods.

### **Disclaimer of opinion**

Because of the significance of the matters described in the Basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

### **Emphasis of matter**

In addition to our disclaimer of opinion on the financial statements, which is not modified in this respect, we have considered the adequacy of the disclosures made in Note 24 to the financial statements relating to the ongoing investigations and the potential for any fines, penalties or claims that may arise as a result of any actions that might be taken against the Company. It is not possible at this time either to determine whether any actions will be taken against the Company, or to estimate the quantum of any fines, penalties or claims were the Company to be subject to such actions, and no provision for any liability that may result has been made in the financial statements.

### **Opinion on other matters prescribed by the Companies Act 2006**

Notwithstanding our disclaimer of an opinion on the financial statements, in our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

In respect of the limitations on our work relating to the matters referred to in the Disclaimer of opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine whether adequate accounting records had been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made.



David Hales (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Reading  
31 January 2014

**AUTONOMY CORPORATION LIMITED**  
(formerly Autonomy Corporation Plc)

**INCOME STATEMENT**  
**10 months ended 31 October 2011**

		<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000 (restated)</b>
	<b>Note</b>		
Administrative expenses			
Foreign exchange (loss)/gain		(10,763)	7,281
Other administrative expenses		(4,896)	(4,716)
Distribution expenses		(32)	(114)
Impairment of investments in subsidiaries	10	(237,258)	-
Impairment of investment in associate	11	-	(7,083)
Disposal costs associated with sale of Autonomy	21	(42,208)	-
Other operating income		619	869
<b>Operating loss</b>	<b>3</b>	<b>(294,538)</b>	<b>(3,763)</b>
<b>Analysed between</b>			
Profit from operations before exceptional items		(15,072)	3,320
Exceptional items ( <i>impairments of investments and disposal costs</i> )		(279,466)	(7,083)
Finance income	6	4,783	4,968
Finance costs	7	(23,896)	(23,164)
<b>Loss before tax</b>		<b>(313,651)</b>	<b>(21,959)</b>
Tax expense	8	(2,098)	(121)
<b>Loss for the period</b>		<b>(315,749)</b>	<b>(22,080)</b>

All activities derive from continuing operations

**STATEMENT OF COMPREHENSIVE (EXPENSE)/INCOME**  
**10 months ended 31 October 2011**

		<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000 (restated)</b>
Net loss for the period		(315,749)	(22 080)
Gains on revaluation of available for sale financial assets	12	30,826	28 335
<b>Total comprehensive (expense)/income</b>		<b>(284,923)</b>	<b>6,255</b>

**AUTONOMY CORPORATION LIMITED**  
(formerly Autonomy Corporation Plc)

**BALANCE SHEET**  
**31 October 2011**

	Note	31 October 2011 £'000	31 December 2010 £'000 (restated)	1 January 2010 £'000 (restated)
<b>Non-current assets</b>				
Intangible assets	9	-	79	47
Investments	10	403,198	624,261	617,778
Investments in associate	11	-	-	5,514
Other non-current financial assets	12	69,291	38,465	7,453
		<u>472,489</u>	<u>662,805</u>	<u>630,792</u>
<b>Current assets</b>				
Other receivables	13	230,441	44,889	11,750
Cash and cash equivalents (including restricted cash of £8,211,000 (31 December 2010 £999,000))		<u>339,876</u>	<u>512,947</u>	<u>49,510</u>
		<u>570,317</u>	<u>557,836</u>	<u>61,260</u>
<b>Total assets</b>		<u>1,042,806</u>	<u>1,220,641</u>	<u>692,052</u>
<b>Current liabilities</b>				
Trade and other payables	14	(4,734)	(2,801)	(560)
Current tax creditor		<u>(2,169)</u>	<u>(836)</u>	<u>(633)</u>
<b>Net current assets</b>		<u>563,414</u>	<u>554,199</u>	<u>60,067</u>
<b>Non-current liabilities</b>				
Convertible loan notes	15	<u>(448,371)</u>	<u>(440,690)</u>	-
<b>Total non-current liabilities</b>		<u>(448,371)</u>	<u>(440,690)</u>	-
<b>Total liabilities</b>		<u>(455,274)</u>	<u>(444,327)</u>	<u>(1,193)</u>
<b>Net assets</b>		<u>587,532</u>	<u>776,314</u>	<u>690,859</u>
<b>Shareholders' equity</b>				
Share capital	16	831	809	803
Share premium account	17	753,188	680,636	668,057
Other reserves	17	62,702	62,702	-
Capital redemption reserve	17	70	70	70
Own shares	17	-	(500)	(537)
Merger reserve	17	13,207	13,207	13,207
Revaluation reserve	17	61,241	30,415	2,080
Stock compensation reserve	17	32,653	16,458	12,582
Retained earnings	17	<u>(336,360)</u>	<u>(27,483)</u>	<u>(5,403)</u>
<b>Total equity</b>		<u>587,532</u>	<u>776,314</u>	<u>690,859</u>

The financial statements on pages 18 to 53 were approved by the board of directors on 31/10/14 and signed on its behalf by

  
S E Letellier, Director

Company registration number 03175909

**AUTONOMY CORPORATION LIMITED**  
(formerly Autonomy Corporation Plc)

**STATEMENT OF CHANGES IN EQUITY**  
**10 months ended 31 October 2011**

	Share capital (number)	Share capital £'000	(restated) Share premium £'000	(restated) Other reserves £'000	Capital redemption reserve £'000	Own shares £'000	Merger reserve £'000	Revaluation reserve £'000	(restated) Stock- compen- sation reserve £'000	(restated) Retained earnings £'000	Total £'000
<b>Note</b>		16	17	17	17	17	17	17	17	17	
At 1 January 2010 (as previously reported)	240,574,304	803	668,057	-	70	(537)	13,207	2,080	-	15,756	699,436
Prior year adjustment – note 22	-	-	-	-	-	-	-	-	12,582	(21,159)	(8,577)
At 1 January 2010 (restated)	240,574,304	803	668,057	-	70	(537)	13,207	2,080	12,582	(5,403)	690,859
<b>Net loss</b>	-	-	-	-	-	-	-	-	-	(22,080)	(22,080)
<b>Other comprehensive income</b>	-	-	-	-	-	-	-	28,335	-	-	28,335
Total comprehensive income	-	-	-	-	-	-	-	28,335	-	(22,080)	6,255
Share options exercised	1,988,280	6	12,579	-	-	-	-	-	-	-	12,585
Credit in respect of share-based payment	-	-	-	-	-	-	-	-	3,876	-	3,876
EBT options exercised	-	-	-	-	-	37	-	-	-	-	37
Equity element of convertible loan notes (see note 22)	-	-	-	62,702	-	-	-	-	-	-	62,702
At 31 December 2010 (restated)	242,562,584	809	680,636	62,702	70	(500)	13,207	30,415	16,458	(27,483)	776,314
<b>Net loss</b>	-	-	-	-	-	-	-	-	-	(315,749)	(315,749)
<b>Other comprehensive income</b>	-	-	-	-	-	-	-	30,826	-	-	30,826
Total comprehensive income	-	-	-	-	-	-	-	30,826	-	(315,749)	(284,923)
Share options exercised	6,734,365	22	72,552	-	-	-	-	-	-	-	72,574
Credit in respect of share-based payment	-	-	-	-	-	-	-	-	16,195	-	16,195
Sale of EBT shares	-	-	-	-	-	500	-	-	-	6,872	7,372
At 31 October 2011	249,296,949	831	753,188	62,702	70	-	13,207	61,241	32,653	(336,360)	587,532

**AUTONOMY CORPORATION LIMITED**  
(formerly Autonomy Corporation Plc)

**CASH FLOW STATEMENT**  
**10 months ended 31 October 2011**

	Note	10 months ended 31 October 2011 £'000	Year ended 31 December 2010 £'000 (restated)
<b>Operating activities</b>			
<b>Loss for the period</b>		(315,749)	(22,080)
Adjustments to reconcile loss for the period to net cash flow from operating activities			
Tax charge for the period	8	2,098	121
Net finance costs		19,113	18,196
Gain on disposal of intangibles		(388)	-
Amortisation of intangible assets	9	370	18
Impairment of investments	10	237,258	7,083
Working capital adjustments			
Increase in other receivables		(185,893)	(36,949)
Increase in trade and other payables		1,933	2,241
<b>Cash generated from operations</b>		(241,258)	(31,370)
Income taxes paid		-	203
<b>Net cash flow from operating activities</b>		(241,258)	(31,167)
<b>Investing activities</b>			
Interest received	6	4,783	4,518
Purchases to acquire intangible assets	9	(327)	(50)
Investment in equity investments		-	(2,677)
<b>Net cash flow from investing activities</b>		4,456	1,791
<b>Financing activities</b>			
Proceeds from issuance of shares, net of issuance costs		72,574	12,585
Proceeds from sale of EBT shares		7,372	-
Proceeds from convertible loan notes net of issuance costs	15	-	488,303
Interest paid on convertible loan notes	15	(16,150)	(8,075)
Other interest	7	(65)	c
<b>Net cash flow from financing activities</b>		63,731	492,813
<b>Net (decrease)/increase in cash and cash equivalents</b>		(173,071)	463,437
Cash and cash equivalents at beginning of period		512,947	49,510
<b>Cash and cash equivalents at end of period</b>		339,876	512,947

Cash and cash equivalents represent cash and short-term deposits with an original maturity of three months or less  
The carrying amount of these assets approximates their fair value

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**1. GENERAL INFORMATION**

Autonomy Corporation Limited is a Company incorporated in England and Wales under the Companies Act 2006. The registered office is at Amen Corner, Cain Road, Bracknell, Berkshire, RG12 1HN, UK. Autonomy Corporation Limited is the holding Company of the Autonomy group of companies (the "group").

**2. SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with the items which are considered material in relation to the financial statements.

**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS as adopted by the EU.

The financial statements have been prepared on the historical cost basis, except for the revaluation of equity investments and financial instruments. The going concern basis has been adopted in preparing the financial statements, as described in more detail below.

These financial statements are presented in sterling as that is the currency of the primary economic environment in which the Company operates and are rounded to thousands.

During the period the Company changed its financial reporting date to 31 October (previously 31 December) to align with its parent Company, consequently the comparative figures for FY11 and FY10 are not wholly comparable.

The comparative financial data has been restated relating to the revaluation of balances denominated in foreign currencies, to correct the historic cost of a subsidiary, to correct for costs not recorded in the appropriate financial period, to record the impairment of an associate in the correct period, to include appropriate accounting entries for share based payments and to adjust current tax balances. The comparative financial data has also been restated to correct the legal ownership of an investment previously recorded within the balance sheet of Autonomy Systems Limited. Explanation for the prior year restatement and the impact of the restatement on the opening balance sheet and retained earnings has been provided in note 22. In line with the requirements of IAS 1 para 10(f) the Company has disclosed an additional balance sheet with selected related notes.

**Going concern**

At 31 October 2011 the Company had cash balances of £339.9 million and net assets of £587.5 million.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.



**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Standards and interpretations issued but not yet applied**

The following standards and interpretations which may impact the Company, have an effective date after the date of these financial statements but the Company has not early adopted them and plans to adopt them from the effective dates adopted by EU

*IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (effective 1 July 2012)*

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment will affect presentation only and has no impact on the Company's financial position or performance.

*IAS 19 Employee Benefits (Amendment) (effective 1 January 2013)*

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Company does not believe adoption will impact the Company's financial position or performance.

*IAS 27 Separate Financial Statements (as revised in 2011) (effective 1 January 2013)*

As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

*IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) (effective 1 January 2013)*

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Company does not believe adoption will impact the Company's financial position or performance.

*IFRS 7 Financial Instruments – Disclosures – Enhanced Derecognition Disclosure Requirements (effective 1 July 2011)*

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Company's financial position or performance.

*IFRS 9 Financial Instruments – Classification and Measurement*

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The Company does not believe adoption will impact the Company's financial position or performance.

*IFRS 13 Fair Value measurement (effective 1 January 2013)*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance.

*IFRS 7 & IAS 32 Offsetting of Financial Instruments*

The amendments to IAS 32 and IFRS 7 on offsetting of financial instruments are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The clarifying amendments to IAS 32 are effective for the annual periods beginning on or after 1 January 2014. The new disclosures in IFRS 7 are required for annual periods beginning on or after 1 January 2013. The Company does not believe adoption will impact the Company's financial position or performance.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Judgements and key sources of estimate uncertainty**

Critical judgements in applying the Company's accounting policies

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However the estimation means that actual outcomes could differ from those estimates.

**Key sources of estimation uncertainty**

The following estimates are dependent upon assumptions which could change in the next financial period and have a material impact on the carrying value of assets and liabilities recognised at the balance sheet date.

*On-going investigations*

The Company remains subject to the on-going internal and external investigations as described in the Directors' Report.

The extensive investigations undertaken by Hewlett-Packard, and by the Directors, into the past accounting practices of the group, have revealed extensive errors in the previously issued financial statements. These have required all aspects of the accounting to be re-assessed. The errors found as a result of these investigations have led to restatements to the previously issued financial statements of the Company for the year ending 31 December 2010, principally relating to the revaluation of balances denominated in foreign currencies, to correct the historic cost of a subsidiary, to correct for costs not recorded in the appropriate financial period, to record the impairment of an associate in the correct period, to include appropriate accounting entries for share based payments and to adjust current tax balances.

Given the volume and magnitude of the above errors, it is possible that further errors may remain undetected. The investigations, including those of the U.K. Serious Fraud Office, the U.S. Department of Justice and the SEC, are on-going and it is possible that further matters may be identified that could impact the reported financial performance and position of the Company, including previously reported financial statements. As a result of the investigations by Hewlett-Packard the earnings of fellow group undertakings have themselves been subject to substantial corrections for the current and prior periods compared to any previously prepared financial statements, principally relating to the overstatement of revenues in Autonomy's U.S. operations.

The outcome of ongoing internal and external investigations cannot be determined and it should be noted that the investigations could result in fines, other penalties or claims being imposed on or asserted against the Company. It is not possible at this time to estimate the outcome of any such actions taken against the Company.

*Intercompany*

Although the intercompany balances at 1 January 2010 agree to their counterparties, it has not been possible to validate all underlying transactions within these balances which originated from prior accounting periods. There is therefore a risk that further undetected errors remain present in the balances at 1 January 2010. This represents an uncertainty over the accuracy of the opening intercompany balances and any impacts that such inaccuracies may have on the reported financials in subsequent years. The Directors have undertaken work to ensure that the balances with other Autonomy entities are agreed by the relevant counterparty at 31 October 2011, the balance sheet date.

*Impairment of investments and other non-current financial assets*

Determining whether investments are impaired requires an estimation of the fair value less cost to sell calculations of the associated cash generating unit (CGU) to which the investments have been allocated. The calculation requires the entity to estimate the future cash flows of the asset or CGU and a suitable discount rate in order to calculate present value. The carrying amount of investments in subsidiaries and other non-current financial assets at the balance sheet date was £403.2 million (31 December 2010: £624.3 million) and £69.3 million (31 December 2010: £38.5 million) respectively.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Judgements and key sources of estimate uncertainty**

*Convertible loan notes*

The liability and equity components of the convertible loan notes are calculated on the date of issue based on market interest rates of similar nonconvertible loan notes. The market interest rate used in the calculation was based on information provided by independent financial institutions. See note 15 for the carrying values of the equity and loan components at each balance sheet date.

**Consolidation exemption**

The Company is exempt from the obligation to prepare and deliver group accounts under section 401 of the Companies Act 2006 as its ultimate parent undertaking Hewlett-Packard Company, a Company incorporated in the United States of America, prepared group accounts which incorporate the results of the Company and are publicly available. The financial statements have therefore been presented for the individual Company and not the group.

**Exceptional items**

Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Company's financial performance. Additional details in relation to the exceptional items in the period are provided in note 21.

**Investments in subsidiaries**

A subsidiary is an entity over which the Company is in a position to exercise control. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

The carrying value of investments is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

**Investments in associates**

An associate is an entity over which the Company is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associate are stated at cost, less any impairment in the value of individual investments. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

**Interest receivable**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**Share capital**

Ordinary shares are classified as equity.

Where the Company purchases the Company's equity share capital (own shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income taxes**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements only where it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the group to make a single net payment

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Other income tax is recognised in the income statement

**Foreign exchange**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at operating profit

**Impairment of intangible assets**

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing fair value less costs to sell, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Intangible assets**

Intangible assets are capitalised at cost.

Amortisation is calculated to write off the cost of an asset, less its estimated residual value, on a straight line basis, over the useful economic life of that asset as follows

Patents and licences 1 - 3 years

**Financial instruments**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument

*Financial assets*

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

*Financial assets at FVTPL*

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if

- it has been acquired principally for the purpose of selling in the near future, or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not designated and effective as a hedging instrument

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial asset forms part of a Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Company is provided internally on that basis, or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 19.

*Available for sale financial assets ("AFS")*

Unlisted shares and listed redeemable notes held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 19. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income and shown as a movement in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

*Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments, or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

*De-recognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

*Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*Financial liabilities*

All financial liabilities are classified as 'other financial liabilities'.

*Compound instruments*

The component parts of compound instruments (convertible loan notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instruments maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

*Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

*De-recognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

**Share-based payment**

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The share based payment expense representing fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Fair value is determined by an external valuer using the Black-Scholes pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in investments, with a corresponding entry in equity. Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is accelerated. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as statement movement in investments.

On transition to IFRS, the Group did not apply the measurement rules of IFRS 2 to equity settled awards granted before 7 November 2002 or granted after that date and vested before 1 January 2005. However later modifications of such equity instruments are measured under IFRS 2.



**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Restricted cash**

The Company includes restricted cash within cash at bank and in hand. The restricted cash stems from cash held in the Autonomy Corporation Limited employee share trust and is considered restricted as it can only be used to satisfy future obligations to employees.

**3. OPERATING LOSS FOR THE PERIOD**

The loss for the period has been arrived at after charging/(crediting)

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000 (restated)</b>
Foreign exchange loss/(gain)	10,763	(7,281)
Amortisation of intangible assets	370	18
Exceptional group disposal costs (note 21)	42,208	-
Exceptional impairment of investment in subsidiaries (note 10)	237,258	-
Exceptional impairment of investment in associate (note 10)	-	7 083

**4. AUDITOR'S REMUNERATION**

Current auditor's remuneration

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000</b>
Current auditor		
Fees payable to the company's auditor for the audit of the company's financial statements	300	-
Fees payable to the company's auditor for the audit of the company's subsidiaries' financial statements	1,700	-
<i>Total audit fees</i>	<u>2,000</u>	<u>-</u>
Other services		
- Tax compliance services	166	-
<i>Total non-audit fees</i>	<u>166</u>	<u>-</u>

Deloitte LLP resigned as auditor of the Autonomy group in December 2012, prior to the issuance of the financial statements for the year ended 31 October, 2011. During the period Deloitte non audit fees amounted to £323,000 related to other assurance services of £239,000 and other services of £84,000. The analysis of the previous auditor's remuneration for the completed audits for the period ended 31 December, 2010 is as follows:

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**4 AUDITOR'S REMUNERATION (continued)**

Previous auditor's remuneration

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000</b>
Previous auditor		
Fees payable to the company's auditor for the audit of the company's financial statements	140	294
Fees payable to the company's auditor for the audit of the company's subsidiaries' financial statements	790	882
<i>Total audit fees</i>	<u>930</u>	<u>1,176</u>
Other services		
- Corporate finance services	-	450
- Other assurance services	239	-
- Other services	84	61
<i>Total non-audit fees</i>	<u>323</u>	<u>511</u>

Total auditor's remuneration (current and previous)

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000</b>
Fees payable to the company's auditor for the audit of the company's financial statements	440	294
Fees payable to the company's auditor for the audit of the company's subsidiaries' financial statements	2,490	882
<i>Total audit fees</i>	<u>2,930</u>	<u>1,176</u>
Other services		
- Corporate finance services	-	450
- Due diligence	239	-
- Other services	250	61
<i>Total non-audit fees</i>	<u>489</u>	<u>511</u>

**5 STAFF COSTS AND DIRECTORS' REMUNERATION**

At 31 October 2011 the Company had no employees other than the two executive directors and five non-executive directors (year ended 31 December 2010 three executive directors and four non-executive directors)

Full details of directors' remuneration in the period are included in the Remuneration Report within the Directors' Report

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**6 FINANCE INCOME**

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000</b>
Interest income on bank deposits	<u>4,783</u>	<u>4,968</u>

**7. FINANCE COSTS**

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000</b>
Interest on convertible loan notes	23,831	23,164
Other interest	65	-
Total interest expense	<u>23,896</u>	<u>23,164</u>

**8. TAX ON LOSS ON ORDINARY ACTIVITIES**

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000</b>
<b>Corporation tax</b>		
United Kingdom corporation tax	2,098	-
Adjustment in respect of prior years	-	121
Total current tax charge	<u>2,098</u>	<u>121</u>
<b>Deferred tax</b>		
Origination and reversal of timing difference	-	-
Tax charge on loss on ordinary activities	<u>2,098</u>	<u>121</u>

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**8. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)**

The tax assessed on the loss on ordinary activities for the period is higher (2010 higher) than the standard rate of corporation tax in the UK of 26.6% (2010 28%). The differences are reconciled below

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000 (restated)</b>
Loss before tax	(313,651)	(21,959)
Loss multiplied by the standard rate of corporation tax in the UK of 26.6% (year ended 31 December 2010 - 28%)	(83,431)	(6,149)
Factors affecting charge for the period		
Expenses disallowed and non-taxable income	275	188
Impairment of investments	63,111	1,983
Imputed interest on intercompany balances	8,196	-
Exceptional group restructuring costs disallowed	11,227	-
Capital allowances in excess of depreciation	(8)	(12)
Unrecognised tax losses carried forward	552	-
Group relief surrendered for nil payment	78	3,990
Adjustment in respect of prior years	-	121
Provision for tax penalties in respect of prior years	2,098	-
Tax (credit)/charge for the period	2,098	121

**Factors affecting prior tax charges**

As discussed in note 22, the Company booked a number of prior year adjustments in respect of the years ended 31 December 2009 and 31 December 2010. As a result of this the Company has submitted a claim for overpayment of tax of £835,500 in December 2013 in respect of the tax return for the year ended 31 December 2009. At the date of signing the financial statements HMRC have not agreed the claim and therefore no benefit has been recognised as it is difficult to reliably estimate the final value of the repayment.

The group relief surrendered in 2010 has reduced by £2,698,000 (tax effected £755,440) due to a reduction in losses available for surrender to group companies. This is subject to agreement with HMRC.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**8. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)**

**Factors affecting current and future tax charges**

In March 2011, the UK Government announced a reduction in the standard rate of UK corporation tax to 26% effective 1 April 2011. This rate reduction was substantively enacted in March 2011. Accordingly, the Company's loss for this accounting period is taxed at an effective rate of 26.6%. The 2011 budget also proposed a further reduction in the standard rate of corporation tax to 25% from 1 April 2012 and this was substantively enacted in July 2011.

In March 2012, the UK Government announced a reduction in the standard rate of UK corporation tax to 24% effective 1 April 2012 and to 23% effective 1 April 2013. These rate reductions became substantively enacted in March 2012 and July 2012 respectively. Further reductions in the main rate of corporation tax in the UK to 21% effective from 1 April 2014 and to 20% from 1 April 2015 were substantively enacted on 2 July 2013. These changes were not substantively enacted at the balance sheet date and therefore are not recognised in these financial statements.

**Deferred tax**

The unrecognised deferred tax asset in the current period is £555,000 (2010: £47,000). This comprises:

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000 (restated)</b>
Losses	519	-
Accelerated capital allowances	36	47
	<u>555</u>	<u>47</u>

The deferred tax asset is not being recognised on the basis that management are uncertain of the future taxable income against which these assets can be utilised.

The impact of the rate reduction to 20% would be to reduce the unrecognised deferred tax asset by £111,000 to £444,000.

No deferred tax has been provided on the revaluation of the Blinkx Plc shares as any gain on future sale should not be chargeable to tax under the substantial shareholding exemption.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**9 INTANGIBLE FIXED ASSETS**

	<b>Software licences £'000</b>	<b>Patents £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2010	3,147	151	3,298
Additions	-	50	50
	<hr/>	<hr/>	<hr/>
At 31 December 2010	3,147	201	3,348
Additions	-	327	327
Disposals	(3,147)	(528)	(3,675)
	<hr/>	<hr/>	<hr/>
At 31 October 2011	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Accumulated amortisation</b>			
At 1 January 2010	3,147	104	3,251
Charge for the year	-	18	18
	<hr/>	<hr/>	<hr/>
At 31 December 2010	3,147	122	3,269
Charge for the period	-	370	370
Disposals	(3,147)	(492)	(3 639)
	<hr/>	<hr/>	<hr/>
At 31 October 2011	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 October 2011	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2010	-	79	79
	<hr/>	<hr/>	<hr/>
At 31 December 2009	-	47	47
	<hr/>	<hr/>	<hr/>

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**10. FIXED ASSET INVESTMENTS**

	<b>31 October 2011 £'000</b>	<b>31 December 2010 £'000 (restated)</b>	<b>1 January 2010 £'000 (restated)</b>
Investments in subsidiary undertakings	400,591	621,654	617,778
Other investments	2,607	2,607	-
	<u>403,198</u>	<u>624,261</u>	<u>617,778</u>

**a) Investments in subsidiary undertakings**

	<b>31 October 2011 £'000</b>	<b>31 December 2010 £'000 (restated)</b>	<b>1 January 2010 £'000 (restated)</b>
<b>Cost</b>			
At beginning of period, as originally reported	621,654	617,778	634,596
Prior period adjustment to opening balance originally reported	-	-	(21,402)
Prior period adjustment relating to share-based payment (see note 22)	-	3,876	4,584
Capital contribution relating to share-based payment	16,195	-	-
Impairment of investments	(237 258)	-	-
Disposal of investment in subsidiary undertaking	-	-	-
At end of period	<u>400,591</u>	<u>621,654</u>	<u>617,778</u>

The comparative information has been restated in line with the additional information provided in note 22

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

On 28 September 2011, the Company transferred for £1 one of its wholly-owned subsidiary companies, Longsand Limited, to another wholly-owned subsidiary Company Autonomy Systems Limited.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**10. FIXED ASSET INVESTMENTS (continued)**

The investments in subsidiary undertakings reflect prior acquisitions made by the legacy Autonomy Group. The investigations, regarding accounting improprieties, disclosures failures and misrepresentations at Autonomy with respect to Autonomy's pre-acquisition business, identified the need for an impairment assessment to be performed by the current directors. In accordance with applicable accounting standards, an impairment assessment has been performed on the investments held by the Company. This assessment compared the recoverable amounts for the respective investments, as determined from fair value less cost to sell calculations, with their carrying values. This exercise has resulted in an impairment charge of £237,258,000 being recognised in the period (2010: £nil) which has been disclosed as an exceptional item. The impairment assessment used discounted cash flows under the income method of valuation based on a revised forecast. Management have projected cash-flows over a 10 year period and determined a terminal value. The forecast reflected the organic revenue growth rates, current market trends, business mix, cost structure and other expectations about the anticipated short-term and long-term operating results of the Autonomy business.

The directors have recorded the impairment charge during the period ended 31 October 2011. In determining the period to record the impairment, the Directors believe that impairment indicators may well have existed at a previous balance sheet date, but have concluded that it is not possible to identify what, if any, impairment charge relates to an earlier period.

As previously noted in the Directors' Report, on 3 October 2011 the Company was acquired by Hewlett-Packard as part of its acquisition of the Autonomy Group. These financial statements do not reflect any matters related to the acquisition by Hewlett-Packard, including any accounting for the purchase consideration paid or the subsequent impairment of goodwill and purchased intangible assets as reported by Hewlett-Packard in its financial statements included in Form 10-K for the year ended October 31, 2012 filed with the U.S. Securities and Exchange Commission.

**Principal group companies**

The principal companies within the group's operations are set forth below:

<b>Company</b>	<b>Country of Incorporation</b>	<b>Activity</b>	<b>Percentage ownership</b>
Autonomy, Inc. *	USA	Software development and distribution	100%
Autonomy Systems Ltd	England	Software development and distribution	100%
etalk Corporation *	USA	Software development and distribution	100%
Interwoven, Inc. *	USA	Software development and distribution	100%
Meridio Holdings Ltd	Northern Ireland	Software development and distribution	100%
Virage, Inc. *	USA	Software development and distribution	100%
ZANTAZ, Inc. *	USA	Software development and distribution	100%
Autonomy Europe Holdings Ltd	England	Holding company	100%

\*Company owned indirectly through wholly owned intermediate holding Company



**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**10 FIXED ASSET INVESTMENTS (continued)**

b) Other investments - unlisted trade investments

	31 October 2011 £'000	31 December 2010 £'000 (restated)	1 January 2010 £'000 (restated)
<b>Cost at the beginning of the period</b>			
At 1 January	2,607	-	-
Additions	-	2,607	-
At end of period	2,607	2,607	-

The prior year adjustment relates to the correction of an error (including misstatements). In preparing the current year financial statements management identified that the addition of an investment in the previously issued financial statements had been erroneously recorded in the financial statements of Autonomy Systems Limited. The restatement of the prior period balance correctly reflects that the Company holds a 19.99% holding in Realise Limited, a Company incorporated in the UK.

**11. INVESTMENTS IN ASSOCIATES**

	31 October 2011 £'000	31 December 2010 £'000 (restated)	1 January 2010 £'000
<b>Cost</b>			
At beginning of period	-	5,514	4,107
Additional investment during the period	-	1,569	1,407
Impairment of investment	-	(7,083)	-
At end of period	-	-	5,514

Company	Country of Operation	Activity	Percentage ownership
OpenV China Holdings company	Cayman Islands	Holding company	35%

The prior year comparatives have been restated to fully impair the investment in OpenV China Holdings Company as the directors do not consider it likely that future profits will be generated from the business and the directors have concluded that the impairment indicators existed at 31 December 2010. For additional information, see note 22.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**12 OTHER NON-CURRENT FINANCIAL ASSETS**

	<b>31 October 2011 £'000</b>	<b>31 December 2010 £'000</b>	<b>1 January 2010 £'000</b>
At beginning of period	38,465	7,453	6,358
Additions	-	2,677	-
Net gains recognised in other comprehensive income	30,826	28,335	1,095
At end of period	<u>69,291</u>	<u>38,465</u>	<u>7,453</u>

The investment above represents the Company's 13% interest in Blinkx Plc following the demerger in May 2007. This available for sale financial asset therefore consists solely of listed UK equity securities denominated in pound sterling.

During 2010 the Company participated in a placing completed by Blinkx Plc, acquiring a further 3,187,250 shares for £2.7 million. At 31 October 2011 the Company's interest in Blinkx Plc remained 13% (2010 13%). The remaining increase in value is attributable to the movement in the Blinkx Plc share price to 150.00p (2010 83.25p). After the period the Company disposed of its interest in Blinkx Plc, see note 25 for further details.

Quoted investments are subject to market risk and can increase or decrease in value depending on the share price of the relevant instruments. This investment has been classified as available for sale under IAS 39, and all changes in fair value have been recognised directly in equity during the period.

No amounts (31 December 2010 £nil) have been transferred from other comprehensive income and recognised in the income statement for the period.

At 31 October 2011 the share price of Blinkx Plc of 150.00p resulted in a valuation of £69,291,000 (see note 25). On 25 June 2013 the Company disposed of its holding of 45.7m shares in Blinkx Plc for £54,840,000 at a share price of 120.00p through an accelerated offering to institutional investors. As this is a non-adjusting post balance sheet event this reduction in value has not been included within these financial statements.

**13 OTHER RECEIVABLES**

	<b>31 October 2011 £'000</b>	<b>31 December 2010 £'000 (restated)</b>	<b>1 January 2010 £'000 (restated)</b>
Amounts owed by fellow group undertakings	228,920	43,897	11,513
Promissory note	424	-	-
VAT receivable	264	200	-
Prepayments and other receivables	833	792	237
	<u>230,441</u>	<u>44,889</u>	<u>11,750</u>

**AUTONOMY CORPORATION LIMITED**  
(formerly Autonomy Corporation Plc)

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**13 OTHER RECEIVABLES (continued)**

At the balance sheet date amounts receivable from the fellow group companies were £228.9 million (31 December 2010 £43.9 million). The carrying amount of these assets approximates their fair value. There are no past due or impaired receivable balances (31 December 2010 nil).

A promissory note was issued by a fellow group undertaking, Longsand Limited, to Autonomy Corporation Limited in return for assigning to Longsand Limited all of the Company's rights, title and interest in its intellectual property rights, which resulted in a gain on disposal of £388,000 which has been recorded through the Income Statement. The promissory note bears no interest and was settled in full on 25 April 2012 (see note 25 for further details).

**14. TRADE AND OTHER PAYABLES**

	31 October 2011 £'000	31 December 2010 £'000 (restated)	1 January 2010 £'000 (restated)
Trade payables	529	1,449	560
Accrued expenses	3,935	1,082	-
Other payables	270	270	-
	<u>4,734</u>	<u>2,801</u>	<u>560</u>

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

**15. CONVERTIBLE LOAN NOTES**

On 4 March 2010 the Company raised £496,900,000 through the issuance of convertible loan notes. The convertible loan notes were issued at an issue price of £50,000 per loan note and were convertible into ordinary shares of the Company based on a share price of £20.6334 at the option of the bondholder, which is a 25% premium to the share price of the ordinary shares at the date the convertible loan notes were issued.

The loan notes carry an interest rate of 3.25% to be settled in cash semi-annually. The loan notes are payable in full on 4 March 2015 if not redeemed, converted or cancelled before that date.

The net proceeds received from the issue of the convertible loan notes have been split between the financial liability element and an equity component representing the fair value of the embedded option to convert the financial liability into equity of the Company as follows:

	£'000
<b>Net proceeds on issue of convertible loan notes</b>	
Net proceeds	488,303
Equity component	(62,702)
Liability component at date of issue	425,601
Interest charged	23,164
Interest paid	(8,075)
Liability component at 31 December 2010	440,690
Interest charged	23,831
Interest paid	(16,150)
Liability component at 31 October 2011	<u>448,371</u>

The equity component of £62,702,000 (2010 £62,702,000) has been credited to other reserves. In the prior year the equity component was recorded to the share premium account, and this has been corrected by way of a prior year adjustment (see note 22).

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**16. CALLED UP SHARE CAPITAL**

	31 October 2011 £'000	31 December 2010 £'000	1 January 2010 £'000
<b>Authorised, called up, allotted and fully paid</b>			
249,296,949 ordinary shares of 1/3p each			
(2010 242,562,584 ordinary shares of 1/3p each)	831	809	803

The Company has one class of ordinary shares which carry no rights to fixed income. The movement in 2011 relates to employee stock option exercises, during the period 6,734,365 ordinary shares were issued for a consideration of £72,574,000.

**17. RESERVES**

*Share capital, Share premium, Merger reserve*

The balances classified as share capital, share premium and merger reserve include the total net proceeds (nominal value, share premium and any merger reserve in lieu of premium, where merger relief is applied) on issue of the Company's equity share capital, comprising 1/3p ordinary shares.

*Capital redemption reserve*

The capital redemption reserve is a reserve created when the Company buys its own shares, reducing its share capital.

*Own shares reserve*

The own shares reserve represented the cost of shares the Company purchased in the market, held by the Autonomy Corporation Limited Employee Benefit Trust to satisfy options under the group's UK share option scheme. All options held within the scheme were exercised during the period. At 31 October 2011 the Trust held nil shares (31 December 2010 389,699). As a result of the exercise the reserve at 31 October 2011 is £nil.

*Revaluation reserve*

This reserve records fair value changes on AFS financial assets.

*Stock compensation reserve*

The stock compensation reserve arises when the Company issues shares to settle obligations arising under its stock compensation plan for employees of the Company's subsidiaries.

*Other reserves*

The other reserves were created to record the equity component arising on the issue of convertible loan notes (see note 15).

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**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**18 RELATED PARTY TRANSACTIONS**

During the period the Company provided funding to fellow group undertakings of £185 023,000 (2010 £32,384 000) These funding balances were unsecured, and no interest was charged

The amounts owed by subsidiary undertakings are disclosed in note 13

On 28 September 2011, the Company transferred one of its wholly-owned subsidiary companies, Longsand Limited, to another wholly-owned subsidiary Company, Autonomy Systems Limited Additional detail is provided in note 10

A promissory note for £424,000 was issued by a subsidiary undertaking, Longsand Limited, to Autonomy Corporation Limited in return for assigning to Longsand Limited all of the Company's rights, title and interest in its intellectual property rights The promissory note bears no interest

Autonomy Corporation Limited issued shares during the period on behalf of employees of subsidiary companies Additional detail in relation to share options is disclosed in note 23

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**19. FINANCIAL INSTRUMENTS**

*Capital risk management*

The Company manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the group consists of debt (convertible loan notes disclosed in note 15), cash and cash equivalents and equity attributable to the Company's equity holder, comprising issued capital, reserves and retained earnings as shown in the Balance Sheet.

*Classes of financial instruments*

For the purposes of risk management, the Company has identified the following classes of financial assets and liabilities:

	Note	Carrying value	
		31 October 2011 £'000	31 December 2010 £'000 (restated)
<b>Financial assets</b>			
Cash and cash equivalents		339,876	512,947
Other non-current financial assets	12	69,291	38,465
Amounts owed by subsidiary undertakings	13	228,920	43,897
Promissory note	13	424	-
<b>Financial liabilities</b>			
Convertible loan notes	15	(448,371)	(440,690)
Trade payables	14	(529)	(1,449)
Accrued expenses	14	(3,935)	(1,082)
Other payables	14	(270)	(270)

There is no difference between the carrying value and fair value of the above financial assets and liabilities in either period with the exception of the convertible loan notes at 31 October 2011. The directors consider the fair value of the convertible loan notes at 31 October 2011 to be £761,271,000 which is based on the market value at 31 October 2011.

*Financial risk objectives*

The Company is subject to market risk (including price risk and foreign currency risk) and liquidity and interest risk.

The Company does not use derivative financial instruments to hedge foreign currency exposures as the foreign currency exposures across the Autonomy Group as a whole are limited.

*Price Risk*

The Company is exposed to equity price risks arising from equity investments. The shares included above represent investments in listed equity securities that present the Company with opportunity for return through dividend income and trading gains. Equity investments designated as available for sale are held for strategic rather than trading purposes. The Company does not actively trade these investments.

**AUTONOMY CORPORATION LIMITED**  
(formerly Autonomy Corporation Plc)

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**19 FINANCIAL INSTRUMENTS (continued)**

*Equity price sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. If equity prices had been 25% higher/lower other equity reserves would increase/decrease by £17.3 million (31 December 2010: £9.6 million) for the Company as a result of the changes in fair value of available-for-sale shares.

On 25 June 2013 the Company disposed of its holding of 45.7m shares in Blinkx Plc for £54,840,000 at a share price of 120.00p through an accelerated offering to institutional investors.

*Foreign currency risk management*

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities (restated)		Assets (restated)	
	31 October 2011	31 December 2010	31 October 2011	31 December 2010
	£'000	£'000	£'000	£'000
US Dollar	(145,406)	(111,344)	352,754	242,929
Euro	(1,759)	(4)	73,282	32,201
Pound Sterling	(606,939)	(538,189)	517,067	526,974

*Foreign currency sensitivity analysis*

The Company is mainly exposed to movements in US dollar. The following table details the Company's sensitivity to a 10% increase and decrease in the functional currency of the entity concerned against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to group entities where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the Sterling strengthens 10% against the relevant currency. For a 10% weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	US Dollar Currency Impact	
	31 October 2011	31 December 2010
	£'000	£'000
<b>Profit or loss</b>		
Cash and cash equivalents	213	2,425
Trade payables	222	409
Amounts owed by subsidiary undertakings	14,518	11,093

The movements above arise where the Company has financial assets or liabilities in currencies other than Sterling. There has not been any significant change in the Company's sensitivity to foreign currency during the period.

**AUTONOMY CORPORATION LIMITED**  
(formerly Autonomy Corporation Plc)

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**19 FINANCIAL INSTRUMENTS (continued)**

*Liquidity and interest risk tables*

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. On 5 March 2012 the company redeemed the convertible loan notes for a total consideration of £504,974,625, being the par value plus interest accrued and not paid.

	Weighted average interest rate %	Less than 6 months £'000	6 months to 1 year £'000	1 to 5 years £'000	Total £'000
<b>31 October 2011</b>					
Non interest bearing					
Trade payables	-	529	-	-	529
Other payables	-	270	-	-	270
Fixed interest rate instruments					
Convertible loan notes	3.25%	8,075	8,075	537,273	553,422
	3.25%	8,874	8,075	537,273	534,221
<b>31 December 2010</b>					
Non interest bearing					
Trade payables	-	1,449	-	-	1,449
Other payables	-	270	-	-	270
Fixed interest rate instruments					
Convertible loan notes	3.25%	8,075	8,075	553,423	569,573
	3.25%	9,794	8,075	553,423	571,292

*Fair value of financial instruments*

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of non-derivative financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Financial assets in this category include the quoted shares held in Blinkx Plc.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

*Fair value measurements recognised in the balance sheet*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**19. FINANCIAL INSTRUMENTS (continued)**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>31 October 2011</b>				
Available for sale financial assets				
Investments in shares	69,291	-	-	69,291
<b>31 December 2010</b>				
Available for sale financial assets				
Investments in shares	38,465	-	-	38,465

The fair value of the liability component of convertible loan notes is determined assuming redemption on 4 March 2015 and using a 6% interest rate based on market rates for similar term instruments without the convertible element

**20. ULTIMATE CONTROLLING PARTY**

On 18 August 2011, the Board of Hewlett-Packard Company ("HP") and the Board of the company announced the terms of a recommended cash offer (the "Offer") by Hewlett-Packard Vision B V to acquire the entire issued and to be issued share capital of the company. The Offer was declared wholly unconditional on 3 October 2011 and following sufficient acceptances under the Offer having been received, cancellation of listing and trading of the Company's shares took effect on 14 November 2011. On 5 January 2012 the share capital of the Company was acquired by Hewlett-Packard Vision B V, the parent Company, a company incorporated in the Netherlands. Prior to this, the Company was listed on the London Stock Exchange.

Hewlett-Packard Company, a corporation registered in the United States of America, is the ultimate parent Company, ultimate controlling party and is the parent Company of the largest and smallest group into which the results of the Company are consolidated.

Copies of the group financial statements of Hewlett-Packard Company can be obtained from 3000 Hanover Street, Palo Alto, California, USA.

**21. EXCEPTIONAL ITEMS**

Exceptional items are those items that in the directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Company's financial performance.

During the period exceptional costs of £42.2m were incurred relating to the sale of the Autonomy Group to Hewlett-Packard Company on 3 October 2011.

	<b>£'000</b>
Disposal costs associated with sale of Autonomy Group to Hewlett-Packard Company	
Arrangement fees	35,550
Legal & professional fees	4,945
Bank fees	1,713
Total disposal costs	42,208

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**22. PRIOR PERIOD RESTATEMENT**

*Material errors*

As described in the Director's Report, and as a result of the findings of an on-going internal investigation, Hewlett-Packard, the Company's ultimate parent, has provided information to the U K Serious Fraud Office the U S Department of Justice and the SEC related to accounting improprieties, disclosure failures and misrepresentations in the wider Autonomy group, of which the Company is a subsidiary, that occurred prior to and in connection with Hewlett-Packard's acquisition of Autonomy

The extensive investigations undertaken by Hewlett-Packard, and by the Directors, into the past accounting practices of the group, have revealed extensive errors in the previously issued financial statements. These have required all aspects of the accounting to be re-assessed. The errors (including misstatements) found as a result of these investigations have led to restatements to the previously issued financial statements of the Company for the year ending 31 December 2010, principally relating to the revaluation of balances denominated in foreign currencies, to correct the historic cost of a subsidiary, to correct for costs not recorded in the appropriate financial period, to record the impairment of an associate in the correct period, to include appropriate accounting entries for share based payments and to adjust current tax balances.

Given the volume and magnitude of the above errors, it is possible that further errors may remain undetected. The investigations, including those of the U K Serious Fraud Office, the U S Department of Justice and the SEC, are on-going and it is possible that further matters may be identified that could impact the reported financial performance and position of the Company, including previously reported financial statements. As a result of the investigations by Hewlett-Packard the earnings of fellow group undertakings have themselves been subject to substantial corrections for the current and prior periods compared to any previously prepared financial statements, principally relating to the overstatement of revenues in Autonomy's U S operations.

Summary impact on the 2010 Income Statement and Balance Sheet

	<b>Loss for the year £'000</b>	<b>Shareholder funds / net assets £'000</b>
As previously reported – 31 December 2010	(12,153)	790,942
Impact of 2009 restatements (as above)	-	(8,577)
Correction of material errors		
Revaluation of balances denominated in foreign currencies (note i)	2,961	2,961
Cost recognition errors (note iii)	(958)	(958)
Impairment of associate (note iv)	(7,083)	(7,083)
Share based payments (note v)	-	3,876
Current tax impact (note vi)	(4,847)	(4,847)
As restated – 31 December 2010	<u>(22,080)</u>	<u>776,314</u>

**AUTONOMY CORPORATION LIMITED**  
(formerly Autonomy Corporation Plc)

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**22. PRIOR PERIOD RESTATEMENT (continued)**

Impact on the opening balances brought forward at 1 January 2010

	Retained earnings	Shareholder funds / net assets
	£'000	£'000
As previously reported – 31 December 2009	15,756	699,436
Correction of material errors		
Revaluation of balances denominated in foreign currencies (note i)	8,241	8,241
Investment in subsidiaries (note ii)	(29,400)	(29,400)
Share based payments (note v)	-	12,582
As restated – 31 December 2009	<u>(5,403)</u>	<u>690 869</u>

**Notes:**

- (i) Monetary assets and liabilities denominated in foreign currencies had not been correctly re-valued at the balance sheet date in previous financial statements. The prior year adjustment reflects the retranslation of the balances into sterling at the rates of exchange at 31 December 2009 and 31 December 2010.
- (ii) The current Directors have identified that the Company's investment in its subsidiary Autonomy Europe Holdings Limited was overstated as a result of the capitalisation of a foreign exchange loss within the balance. Consequently a prior year adjustment is included to correct this error, and to record the investment at its appropriate historic cost.
- (iii) Cost recognition adjustments relating to trade expenses resulting in restatements at 31 December 2010 and 31 December 2009 to reflect correct expense recognition at the appropriate balance sheet date.
- (iv) The current Directors have identified that the Company's investment in its associate OpenV was impaired at 31 December 2010 and that the impairment should have been recorded at this date. Consequently a prior year adjustment is included to reflect this impairment and to reduce the carrying value of the investment to nil.
- (v) No accounting entries relating to the share based payments had been reflected in the financial statements in previous financial periods. The adjustment reflects the issuing of Company shares on behalf of its subsidiaries to their employees and is reflected through an increase in reserves and the carrying value of investments in subsidiaries.
- (vi) In preparing the current year financial statements management identified that the prior year tax credit booked in the previously issued financial statements had been erroneously recorded. Therefore management have corrected the current tax charge to reflect the tax return submitted to HMRC.
- (vii) In preparing the current year financial statements management identified that the addition of an investment in the previously issued financial statements had been erroneously recorded in the financial statements of Autonomy Systems Limited. The restatement of the prior period balance correctly reflects that the Company holds a 19.99% holding in Realise Limited, a Company incorporated in the UK. This adjustment has no impact on previously reported net assets.
- (viii) In preparing the current year financial statements management identified that the equity component arising on the issue of convertible loan notes had incorrectly been credited to the share premium account. The restatement of the prior period restates this to other reserves. This adjustment has no impact on previously reported net assets.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**23. SHARE BASED PAYMENTS**

The Group's employees participated in two unapproved option plans, the UK Discretionary Option Scheme 1996 and the 2008 US Share Option Plan providing employees and executives with the opportunity to acquire a proprietary interest in Autonomy Corporation Limited (formerly Autonomy Corporation plc) as an incentive to attract and retain the services of employees. Under the terms of the plan, options were granted with exercise prices not less than the fair market value of Autonomy Corporation Limited shares, became exercisable over vesting periods as established by the Board of Directors (generally three to four years), and generally expired seven years from the date of grant. Vested options are forfeited following termination of employment. Options were valued using the Black-Scholes model. No performance conditions were included in the fair value calculations. The options were all exercised upon acquisition of the Company by the Hewlett-Packard Company.

The following tables summarize options outstanding as at 31 October 2011 and 31 December 2010.

	31 October 2011		31 December 2010	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at beginning of period	7,648,668	10.70	7,547,315	8.14
Granted during the period	3,359,628	16.65	2,600,500	14.97
Exercised during the period	(6,840,317)	10.61	(1,988,280)	6.33
Expired during the period	(4,167,979)	10.47	(510,867)	10.47
Outstanding at the end of the period	0		7,648,668	10.70
Exercisable at the end of the period	0		4,033,913	8.17

The weighted average share price at the date of exercise for share options exercised during the period was £24.31 (2010: £16.96). There were no remaining options outstanding at 31 October 2011. The options outstanding at 31 December 2010 had a weighted average exercise price of £8.17 and a weighted average remaining contractual life of 5.1 years.

During the period, 82,878 shares were granted at £nil exercise price to directors (2010: 324 to employees) as part of the deferred bonus plan. 103,344 shares awarded in the deferred bonus plan vested upon the group's acquisition by Hewlett-Packard Company on 3 October 2011. In 2010, 28,250 shares vested.

The weighted average fair value of options granted in the period was £6.29 per option (2010: £4.99 per option). The assumptions for the Black-Scholes model are as follows:

	31 October 2011	31 December 2010
Weighted average share price	£15.08	£14.97
Weighted average exercise price	£15.08	£14.97
Expected volatility	51%	46%
Expected life	3 years	3 years
Risk-free rate	2.5%	2.5%
Expected dividends	-	-

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**23. SHARE BASED PAYMENTS (continued)**

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Share option exercise prices were automatically adjusted to reflect the changes in Autonomy Corporation Limited's share capital structure arising in connection with the Company's December 2006 rights issue. The effect of the adjustment was to ensure that employees were not unfairly discriminated against as stakeholders following the dilution of Autonomy Corporation Limited's share price as a result of the rights issue. No fair value adjustments arose as a result of this transaction.

**24. CONTINGENT LIABILITIES**

In relation to accounting improprieties, disclosure failures and misrepresentations at the wider Autonomy group that occurred prior to and in connection with Hewlett-Packard's acquisition of Autonomy, Autonomy is subject to on-going internal and external investigations in the United States and United Kingdom, as described in the Directors Report. Autonomy is co-operating with the various investigations. The outcome of these investigations cannot be determined and it should be noted that the investigations could result in fines, other penalties or claims being imposed on or asserted against the Company. It is not possible at this time to estimate the outcome of any such actions taken against the Company.

The company acts as guarantor for the obligations of other group companies arising from a Master Accounts Receivable Purchase Agreement with Royal Bank of Scotland plc. At 31 October 2011 the potential obligation arising from this agreement was £15,770,579. At the date of approval and signing of the financial statements there are no obligations arising from this agreement.

**25. POST BALANCE SHEET EVENTS**

On 10 January 2012 the Company de-registered as a public Company under the Companies Act 2006 and re-registered as a private Company, limited by shares. Accordingly the Company changed its name from Autonomy Corporation plc to Autonomy Corporation Limited.

On 4 November 2011 Hewlett-Packard Vision B.V. received the final acceptance to acquire all convertible loans.

On 20 January 2012 Hewlett-Packard Vision B.V. transferred all the convertible loans to HP Leman, a fellow subsidiary undertaking.

On 29 February 2012 the Company filed a written resolution modifying the terms of the convertible loan notes in issue. The modification allowed for the redemption of the convertible loan notes by the Company on 5 March 2012 for their par value, plus accrued interest not yet paid.

On 5 March 2012 the Company redeemed the convertible loan notes for the total consideration of £504,974,625, being the par value plus interest accrued and not paid.

On 22 March 2012 the Company filed a solvency statement under s643 of the Companies Act 2006 stating that the directors believe there to be no grounds on which the Company could not settle its existing commitments as they fall due, and that the Company will be able to settle its on-going liabilities as they fall due for 12 months following signing of the solvency statement.

On 22 March 2012 written resolutions were filed with Companies House to reduce the equity capital of the Company under s644(1) of the Companies Act 2006. Accordingly the share premium of the Company was reduced resulting in £600,000,000 being released to retained earnings.

**AUTONOMY CORPORATION LIMITED**  
**(formerly Autonomy Corporation Plc)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011**

**25. POST BALANCE SHEET EVENTS (continued)**

On 28 March 2012 the Company sold 100% of the share capital of Autonomy Europe Holdings Limited to fellow group Company Hewlett-Packard Leman BV for \$1.68 billion (£1.05 billion). Immediately following this, the Company remitted these funds by way of a dividend payment of \$1.68 billion (£1.05 billion) to Hewlett-Packard Vision Limited, its immediate parent Company, the consequence of which is being further reviewed in the light of the adjustments made to the 2011 financial statements.

On 25 April 2012, Autonomy Corporation Limited (formerly Autonomy Corporation plc) subscribed to 1 ordinary share in Autonomy Systems Limited at a premium equal to the face value of a promissory note (face value £424,000) between Autonomy Corporation Limited and Longsand Limited in return for transferring the promissory note to Autonomy Systems Limited.

At 31 October 2011 the share price of Blinkx Plc of 150.00p resulted in a valuation of £69,291,000 (see note 12). On 25 June 2013 the Company disposed of its holding of 45.7m shares in Blinkx Plc for £54,840,000 at a share price of 120.00p through an accelerated offering to institutional investors. As this is a non-adjusting post balance sheet event this reduction in value has not been included within these financial statements.

On 17 December 2013 the Company disposed of its holding in Realise Limited for £2,607,000 through a sale of its shares to Realise Holdings Limited.

As discussed in note 22, the Company booked a number of prior year adjustments in respect of the years ended 31 December 2009 and 31 December 2010. As a result of this the Company has submitted a claim for overpayment of tax of £835,500 in December 2013 in respect of the tax return for the year ended 31 December 2009. At the date of signing the financial statements HMRC have not agreed the claim and therefore no benefit has been recognised as it is difficult to reliably estimate the final value of the repayment.